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Disclosure checklists and illustrative financial statements for credit unions : a financial reporting practice aid, Winter 1988 edition

American Institute of Certified Public Accountants. Technical Information Division

J. Byrne Kelly

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Winter 1988 Edition

**Disclosure Checklists and
Illustrative Financial
Statements for Credit Unions**
A FINANCIAL REPORTING PRACTICE AID

AICPA

American Institute of Certified Public Accountants

Disclosure Checklists and Illustrative Financial Statements for Corporations (Product No. 008515)

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Disclosure Checklists and Illustrative Financial Statements for State and Local Governmental Units (Product No. 008500)

Winter 1988 Edition

Disclosure Checklists and Illustrative Financial Statements for Credit Unions

A FINANCIAL REPORTING PRACTICE AID

Edited by:

**J. Byrne Kelly, CPA
Technical Manager
Technical Information Division**

The Disclosure Checklists and Illustrative Financial Statements for Credit Unions have not been approved, disapproved, or otherwise acted upon by any senior technical committees of the American Institute of Certified Public Accountants, or the Financial Accounting Standards Board and have no official or authoritative status.

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DISCLOSURE CHECKLISTS AND ILLUSTRATIVE FINANCIAL
STATEMENTS FOR CREDIT UNIONS

The checklists and illustrative financial statements included in this section have been developed by the staff of the Technical Information Division of the AICPA as nonauthoritative technical practice aids. Readers should be aware of the following:

- o The checklists and illustrative financial statements are "tools" and in no way represent official positions or pronouncements of the AICPA.
- o The checklists and illustrative financial statements have been updated through SAS No. 61, FASB Statement of Financial Accounting Standards No. 99, FASB Interpretation No. 38, and FASB Technical Bulletin No. 87-3.
- o The checklists and illustrative financial statements should be used by or under the supervision of persons having adequate technical training and proficiency in the application of generally accepted accounting principles, generally accepted auditing standards, and statements on standards for accounting and review services.
- o The checklists and illustrative financial statements do not represent minimum requirements and do not purport to be all-inclusive. The referenced standard should be reviewed if clarification is desired as to whether the disclosure indicated is required or suggested, and to what extent the disclosure is relevant to the statements being examined.

Users of these checklists and illustrative financial statements are urged to refer directly to applicable authoritative pronouncements when appropriate. If you have further questions, call the AICPA Technical Hotline (see back cover).

John Graves
Director
Technical Information Division

DISCLOSURE CHECKLISTS AND ILLUSTRATIVE FINANCIAL STATEMENTS
FOR CREDIT UNIONS

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Introduction

Credit unions are cooperatives owned and directed by its members. The credit union industry operates federal and state supervision and regulation. These regulations influence the accounting and financial reporting.

Credits unions are subject to periodic examinations by supervisory agency examiners in addition to examinations by the credit unions own supervisory committee.

Common accounting and reporting by credit union include:

- o Accrual basis of accounting is the only acceptable basis of accounting under GAAP, although some credit unions may report certain revenue and expenses items on a cash or modified cash basis.
- o Credit unions usually prepare a non-classified statement of financial condition.
- o The first item on the asset side of the statement of financial condition is loans to members.
- o For GAAP purposes members savings (share) accounts are classified as liabilities. For regulatory purposes these accounts are considered equity.
- o Provision for loan losses should be reported as expense.
- o Note disclosure should include information on loan maturities, and the amount of loans at fixed rates of interest.
- o Accrued loan interest can be reported separately or in "other assets".
- o Accumulated undistributed earnings should be reported as a single amount captioned retained earnings.
- o Credit unions are exempt from federal income taxes and most are exempt from state and local income taxes.

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Disclosure Checklists--General

Many auditors and accountants find it helpful to use checklists as practice aids in the preparation of financial statements and reports. Some firms have developed their own checklists for internal use, and may also have specialized checklists to meet the needs of their practices, such as checklists for clients in particular industries or clients that report to the SEC. Some state CPA societies have developed checklists as practice aids which may be available to other practitioners as well as to their own members. Some commercial publishers also include checklists in certain of their publications. However, authoritative literature does not require the use of such checklists, nor does it prescribe their format or content, which may vary.

Checklists typically consist of a number of brief questions or statements that are accompanied by references to Statements on Auditing Standards, Statements on Standards for Accounting and Review Services, Statements of Financial Accounting Standards, Accounting Principles Board Opinions and Accounting Research Bulletins. Some checklists also include references to FASB Interpretations, and Industry Audit Guides. The extent of detail included in checklists varies with the judgment of the preparers on how extensively to refer to and highlight authoritative literature without developing a checklist that is too long and unwieldy. Accordingly, checklists may serve as convenient memory aids but cannot be used as a substitute for direct references to the authoritative literature.

Checklists usually provide for checking off or initialling each question or point to show that it has been considered. The format used in this booklet is a typical one; it provides for "yes," "no," and "not applicable" answers and presumes that remarks would be prepared on separate cross-referenced memorandums. Some preparers, however, prefer to include space for remarks in the body of the checklist while others prefer alternative checklist formats. For example, a checklist format may provide for the following set of answers: "not applicable," "not material," "in statements," and "in notes" (with provisions for indicating a cross reference to the specific statement caption or note). Another format may provide for only two answers, "disclosed" and "not applicable." Firms and practitioners who develop their own checklists should adopt formats that suit their needs and preferences.

Disclosure checklists are generally accompanied by caveats that include all of the following points:

- o Use of the checklists requires the exercise of individual professional judgment and may likely require some modification based on the circumstances of individual engagements.

- o The checklists are not all-inclusive and are not intended to present minimum requirements.
- o Users need to modify the checklists for any pronouncements issued subsequent to those mentioned in the checklist.

If widespread circulation is expected, the preparers also generally stress the nonauthoritative or unofficial status of the checklists and disclaim responsibility for the way they may be used.

Auditors' Reports Checklist

This checklist has been developed by the staff of the Technical Information Division of the AICPA as a nonauthoritative practice aid.

Explanation of references:

SAS = Statement on Auditing Standards

(AU) = Reference to section number in
AICPA Professional Standards
(vol. 1) of SAS cited

A&AG = Audit and Accounting Guide,
Audits of Credit Unions

Checklist Questionnaire

	<u>YES</u>	<u>NO</u>	<u>N/A</u>
1. Does the auditor's report include appropriate:			
a. Addressee? [SAS 59, par. 9 (AU 508.09)]	—	—	—
b. Date (or dual dates) of the report? [SAS 1, sec. 530 (AU 530); SAS 58, par. 46 (AU 508.46); SAS 26, pars. 15-17 (AU 504.15-.17)]	—	—	—
c. A title that includes the word "independent"? [SAS 58, par. 8 (AU 508.08)]	—	—	—
2. If the auditor is not independent, has the appropriate disclaimer been expressed regardless of the extent of services provided? [SAS 1, sec. 220 (AU 220)]	—	—	—
3. Does the reporting language conform with the auditor's standard report on:			
a. Financial statements of a single year or period? [SAS 58, par. 8 (AU 508.08)]	—	—	—
b. Comparative financial statements? [SAS 58, par. 8 (AU 508.08)]	—	—	—

	<u>YES</u>	<u>NO</u>	<u>N/A</u>
4. Does the auditor's report include appropriate language with respect to the following:			
a. The auditor's opinion is based in part on the report of another auditor? [SAS 1, sec. 543 (AU 543); SAS 7 (AU 315); SAS 58, pars. 12-13 (AU 508.12-.13)]	—	—	—
b. Departure from a promulgated accounting principle which could lead to a misleading financial statement? [SAS 5 (AU 411): SAS 58, pars. 14-15 (AU 508.14-.15)]	—	—	—
c. The financial statements were affected by uncertainties concerning future events, the outcome of which is not susceptible of reasonable estimation? [SAS 58 pars. 16-33 (AU 508.16-.33)]	—	—	—
d. There is substantial doubt about the ability to continue as a going concern? [SAS 59, par. 13 (AU 341.13)]	—	—	—
e. There has been a material change between periods in accounting principles or in the method of their application? [SAS 58, par. 34-36 (AU 508.34-.36)]	—	—	—
f. Opinion on prior-period financial statements different from the opinion previously expressed? [SAS 58, pars. 77-78 (AU 508.77-.78)]	—	—	—
g. Predecessor auditor's report reissued? [SAS 58, pars. 80-82 (AU 508.80-.82)]	—	—	—
h. Selected quarterly financial data required by the SEC has been omitted or has not been reviewed? [SAS 36, par. 29 (AU 722.29)]	—	—	—
i. Required supplemental information has:			
(1) Been omitted?	—	—	—
(2) Presentation of information departs materially from FASB guidelines?	—	—	—
(3) The auditor is unable to complete prescribed procedures?	—	—	—
(4) The auditor has substantial doubts that the information conforms to FASB guidelines? [SAS 52 (AU 551.15)]	—	—	—

	<u>YES</u>	<u>NO</u>	<u>N/A</u>
j. Other information in the document containing the audited financial statements is materially inconsistent with information appearing in the financial statements? [SAS 8, par. 4 (AU 550.04)]	—	—	—
k. A matter regarding the financial statements that should be emphasized? [SAS 58, par. 37 (AU 508.37)]	—	—	—
l. Report on one basic financial statement and there are no scope limitations? [SAS 58, par. 48 (AU 508.48)]	—	—	—
m. Reports on comparative financial statements? [SAS 58, pars. 74-75 (AU 508.74-.75)]	—	—	—
n. There is an unqualified opinion on one of the financial statements and a qualified or adverse opinion, disclaimer, or include an explanatory paragraph on one or more financial statements for one or more periods? [SAS 58, pars. 5 and 76 (AU 508.05 and .76)]	—	—	—
o. Comparative financial statements with an opinion different from the opinion previously expressed? [SAS 58, par. 77-78 (AU 508.77-.78)]	—	—	—
p. Comparative financial statements when predecessor auditor's report not presented? [SAS 58, par. 83 (AU 508.83)]	—	—	—
q. Audited and unaudited financial statements in comparative form? [SAS 26, pars. 14-17 (AU 504.14-.17)]	—	—	—
r. Report on comparative statements of income, retained earnings, and cash flows without presentation of comparative balance sheets for the prior periods? [SAS 58, par. 8, fn7 (AU 508.08 fn7)]	—	—	—
5. Has a qualified opinion or disclaimer of opinion been expressed because of scope limitations such as, but not limited to, those listed below:			
a. Client's refusal to provide written representations? [SAS 19, pars. 11-12 (AU 333.11-.12)]	—	—	—

	<u>YES</u>	<u>NO</u>	<u>N/A</u>
b. Limitations on scope of lawyer's response? [SAS 12, pars. 12-14 (AU 337.12-.14)]	___	___	___
c. Unresolved matters involving specialists? [SAS 11, par. 9 (AU 336.09)]	___	___	___
d. Illegal acts by clients - unable to determine associated amounts or whether an act is illegal? [SAS 54, (AU 317)]	___	___	___
e. Alternative procedures are not practicable for confirmation requests returned undelivered by postal authorities? [A&AG, pages 55-56]	___	___	___
6. Has a qualified opinion or disclaimer of opinion been expressed if:			
a. There is a lack of sufficient competent evidential matter or there are restrictions on the scope of the audit? [SAS 31, par. 22(AU 326.23); SAS 58, pars. 40-48 (AU 508.40-.48)]	___	___	___
7. Has a qualified opinion or adverse opinion been expressed if the following circumstances are present:			
a. An uncertainty is not adequately disclosed in the financial statements? [SAS 58, par. 20 (AU 508.20)]	___	___	___
b. The accounting principles used cause the financial statements to be materially misstated? [SAS 58, par. 21 (AU 508.21)]	___	___	___
c. Unreasonable accounting estimates that cause the financial statements to be misstated? [SAS 58, par. 22 (AU 508.22)]	___	___	___
d. The financial statements contain a material departure from GAAP, inadequate disclosure or an accounting change? [SAS 58, pars. 49-66 (AU 508.49-.66); SAS 54, par. 18 (AU 317.18); SAS 32, par. 3 (AU 431.03); SAS 59, par. 12 (AU 341.12)]	___	___	___

	<u>YES</u>	<u>NO</u>	<u>N/A</u>
e. Material misstatement of the financial statements? [SAS 47, par. 31 (AU 312.31)]	_____	_____	_____
f. Financial statements reflect regulatory practices that differ from GAAP and the resulting difference is material in amount? [SAS 1, sec. 544.02 (AU 544.02); A&AG, page 16]	_____	_____	_____
g. Client representations about related party transactions? [SAS 45, par. 12 (AU 334.12)]	_____	_____	_____
h. There is no evidence to support carrying amount of investment securities and an allowance to write down to market has not been established? [A&AG, page 27]	_____	_____	_____
i. Clients' voluntarily including supplementary information which has not been audited? [SAS 52, par. 3 (AU 558.3)]	_____	_____	_____
7. Has an adverse opinion been expressed if the financial statements do not present fairly the financial position or the results of operations or cash flows in conformity with GAAP? [SAS 58, pars. 67-69 (AU 508.67-.69)]	_____	_____	_____
8. Has a disclaimer of opinion been expressed on the financial statements when the auditor has not performed an audit sufficient in scope to enable him to form an opinion? [SAS 58, par. 70 (AU 508.70)]	_____	_____	_____
a. Have any reservations regarding the fair presentation in conformity with generally accepted accounting principles been disclosed? [SAS 58, par. 71 (AU 508.71)]	_____	_____	_____
9. If a qualified opinion, adverse opinion, or disclaimer of opinion is expressed:			
a. Are all the substantive reasons for the opinion or disclaimer disclosed? [SAS 58, pars. 39, 40, 51, 68 and 71 (AU 508.39, .40, .51, .68 and .71)]	_____	_____	_____

	<u>YES</u>	<u>NO</u>	<u>N/A</u>
b. Is the reporting language clear and appropriate for the:			
(1) Qualified opinion? [SAS 58, pars. 38-66 (AU 508.38-.66)]	—	—	—
(2) Adverse opinion? [SAS 58, pars. 67-69 (AU 508.67-.69)]	—	—	—
(3) Disclaimer of opinion? [SAS 58, pars. 70-72 (AU 508.70-.72)]	—	—	—
10. Does the auditor's report include modification, if applicable, for the following:			
a. Conditions that precluded application of necessary auditing procedures to long-term investments? [SAS 58, par. 42 (AU 508.42)]	—	—	—
b. Regulated companies? [SAS 1, sec. 544.02-.04 (AU 544.02-.04); SAS 14, pars. 2-8 (AU 621.02-.08)]	—	—	—
c. Inadequate disclosure? [SAS 58, pars. 55-58 (AU 508.55-.58)]	—	—	—
d. Client representations about related party transactions? [SAS 45, par. 2 (AU 334.12)]	—	—	—
e. Client's refusal to provide written representations? [SAS 19, par. 11 (AU 333.11)]	—	—	—
f. Limitations on scope of lawyer's response? [SAS 12, pars. 12-14 (AU 337.12-.14)]	—	—	—
g. Unresolved matters involving specialists? [SAS 11, par. 9 (AU 336.09)]	—	—	—
h. Scope limitation concerning errors or irregularities? [SAS 53, pars. 26-27 (AU 316.26-.27)]	—	—	—
i. Illegal acts by clients? [SAS 54 (AU 317)]	—	—	—
j. Segment information? [SAS 21 (AU 435)]	—	—	—

	<u>YES</u>	<u>NO</u>	<u>N/A</u>
k. Entity's continued existence? [SAS 59, pars. 12-16 (AU 341.12-.16)]	—	—	—
l. Material misstatement of the financial statements? [SAS 47, par. 31 (AU 312.31)]	—	—	—
m. Financial statements issued before the effective date of a Statement of Financial Accounting Standards when disclosure is not made of the effect of a restatement which will be required in the future as a result of the FASB Statement? [Interpretation 3 of SAS 1, section 410 (AU 9410.13-.15)]	—	—	—
n. Client's voluntarily including supplementary information which has not been audited? [SAS 52, par. 3 (AU 558.03)]	—	—	—
11. Has a piecemeal opinion been avoided? [SAS 58, par. 73 (AU 508.73); SAS 14, par. 12 (AU 621.12)]	—	—	—
12. For special reports, have the provisions of SAS 14 and SAS 35 been complied with for the following:			
a. Statements prepared in accordance with a comprehensive basis of accounting other than generally accepted accounting principles? [SAS 14, pars. 2-8 (AU 621.02-.08)]	—	—	—
b. Specified elements, accounts or items of a financial statement? [SAS 14, pars. 9-14 (AU 621.09-.14); SAS 35 (AU 622)]	—	—	—
c. Compliance with aspects of contractual agreements or regulatory requirements relating to audited financial statements? [SAS 14, pars. 18-19 (AU 621.18-.19)]	—	—	—
d. Financial information that requires a prescribed form of auditor's report? [SAS 14, pars. 20-21 (AU 621.20-.21)]	—	—	—

	<u>YES</u>	<u>NO</u>	<u>N/A</u>
13. If information is to accompany the basic financial statements and auditor's report in an auditor-submitted document (long-form report):			
a. Is there a clear distinction between the client's representations and auditor's representations? [SAS 29, par. 20 (AU 551.20)]	—	—	—
b. Does the auditor's report on the accompanying information:			
(1) State that the examination was made for the purpose of forming an opinion on the basic financial statements taken as a whole?	—	—	—
(2) Specifically identify the accompanying information?	—	—	—
(3) State that the accompanying information is presented for purposes of additional analysis and is not part of the basic financial statements?	—	—	—
(4) State whether the additional information has been subjected to the auditing procedures applied in examining the basic financial statements and whether the appropriate expression or disclaimer of opinion is included? [SAS 29, pars. 6-11 (AU 551.06-.11)]	—	—	—
14. If an auditor-submitted document with accompanying information (long-form report) is co-existing with a document that includes just the basic financial statements and the auditor's report:			
a. Do the basic financial statements in all co-existing documents consistently include all the information necessary for a fair presentation in conformity with generally accepted accounting principles? [SAS 29, par. 21 (AU 551.21)]	—	—	—
b. Are any additional comments or explanations by the auditor consistent with			

	<u>YES</u>	<u>NO</u>	<u>N/A</u>
the description of the scope of the examination in the auditor's standard (or modified) report? [SAS 29, par. 20 (AU 551.20)]	—	—	—
15. If the document contains interim financial information, has the auditor's report been expanded if required? [SAS 36, pars. 24-30 (AU 722.24-.30)]	—	—	—
16. If supplementary information required by the FASB is presented outside the basic financial statements in an auditor-submitted document, has an opinion been disclaimed on such information unless it has been audited? [SAS 27, pars. 8 and 11 as amended by SAS 52, par. 3 (AU 558.03 and AU 551.15)]	—	—	—
17. If a report on internal accounting control is to be issued [Material weaknesses in internal accounting control ("reportable condition") that come to the auditor's attention must be communicated, preferably in writing, to the audit committee or the board of directors] [SAS 60, (AU 325.04)] is the appropriate form used for:			
a. A report for the restricted use of management, specified regulatory agencies, or other specified third parties based solely on a study and evaluation made as part of an audit of financial statements but not sufficient for expressing an opinion on the system? [SAS 30, pars. 47-53 (AU 642.47-.53)]	—	—	—
b. Communication to the audit committee of internal control structure related matters noted in an audit or other agreed-upon matters? [SAS 60, pars. 12-19 (AU 325.12-.19)]	—	—	—
c. A report on all or part of an entity's system for restricted use of management or specified regulatory agencies, based on the regulatory agencies' pre-established criteria? [SAS 30, pars. 54-59 (AU 642.54-.59)]	—	—	—
d. Other special purpose reports on all or part of the entity's system for restricted			

	<u>YES</u>	<u>NO</u>	<u>N/A</u>
use of management, specified regulatory agencies, or other specified third parties? [SAS 30, pars. 60-61 (AU 642.60-.61); SAS 44, pars. 35, 41 and 46 (AU 324.35, .41 and .46)]	—	—	—
18. If a statement that names the auditor and also states that condensed financial statements have been derived from audited financial statement is made in a client-prepared document that does not include audited financial statements and the client is not a public entity that is required to file complete audited financial statements with a regulatory agency, at least annually, does the auditor's report express a qualified or adverse opinion on the condensed financial statements because of inadequate disclosure? [SAS 58, par. 55 (AU 508.55); SAS 42, par. 7, footnote 6 (AU 552.07, footnote 6)]	—	—	—
19. If reporting on selected financial data that is included in a client-prepared document that contains audited financial statements that are derived from audited financial statements, does the auditor's report indicate the following:			
a. That the auditor has examined and expressed an opinion on the complete financial statements?	—	—	—
b. The type of opinion expressed?	—	—	—
c. The specific data on which the auditor is reporting?	—	—	—
d. Whether, in the auditor's opinion, the information set forth in the selected financial data is fairly stated in all material respects in relation to the complete financial statements from which it has been derived? [SAS 42, par. 9 (AU 552.09)]	—	—	—
20. If the selected financial data for any of the years presented are derived from financial statements that were examined by another independent auditor, does the auditor's report on the selected financial data state that fact and express a disclaimer of opinion on that data? [SAS 42, par. 9 (AU 552.09)]	—	—	—

Financial Statements and Notes Checklist

This checklist has been developed by the staff of the Technical Information Division of the AICPA as a nonauthoritative practice aid.

Explanation of references:

ARB = Accounting Research Bulletin
APB = Accounting Principles Board Opinion
SFAS = Statement of Financial Accounting Standards
SAS = Statement on Auditing Standards
FASBI = Financial Accounting Standards Board Interpretation
TB = Technical Bulletin issued by the staff of the FASB¹
(AC) = Reference to section number in FASB Accounting Standards Current Text
(AU) = Reference to section number in AICPA Professional Standards (vol. 1) of SAS cited
A&AG = Audit and Accounting Guide, Audits of Credit Unions
SOP = AICPA Statement of Position

Checklist Questionnaire

	<u>YES</u>	<u>NO</u>	<u>N/A</u>
<hr/>			
General			
A. Titles and Notes to Financial Statements			
1. Are the financial statements suitably titled? [SAS 14, par. 7 (AU 621.07)]	—	—	—
2. Does each statement include a general reference to the notes that are an integral part of the financial statement presentation? [ARB 43, Ch. 2A, par. 2 (AC F43.102)]	—	—	—
B. Disclosure of Accounting Policies			
1. Is a description of all significant accounting policies of the reporting entity presented as an integral part of the financial statements? [APB 22, par. 8 (AC A10.102)]	—	—	—

¹The FASB staff issues FASB Technical Bulletins to provide guidance concerning the application of FASB Statements or Interpretations, APB Opinions, or Accounting Research Bulletins. FASB Technical Bulletins do not establish new financial accounting and reporting standards or amend existing standards.

	<u>YES</u>	<u>NO</u>	<u>N/A</u>
2. Does disclosure of significant accounting policies encompass important judgments as to the appropriateness of principles concerning recognition of revenue, and allocation of asset costs to current and future periods? [APB 22, par. 12 (AC A10.105); TB 82-1, par. 7 (AC I25.506)]	—	—	—
3. Does the disclosure of significant accounting policies include appropriate reference to details presented elsewhere (in the statements and notes thereto) so duplication of details is avoided? [APB 22, par. 14 (AC A10.107)]	—	—	—
C. Accounting Changes			
1. For all changes in accounting principles are the following disclosures made in the year of change:			
a. Nature of the change?	—	—	—
b. Justification for the change?	—	—	—
c. Effect on income before extraordinary items and on net income? [APB 20, pars. 17 and 19 (AC A06.113 and .115)]	—	—	—
2. For those changes in accounting principles requiring disclosure of cumulative effect and pro forma amounts, have such disclosures been made? [APB 20, pars. 19-21, 25 (AC A06.115-.118, .121); TB 87-1, pars. 1,3-5, 17 (AC P50.501-.505)]	—	—	—
3. For those changes in accounting principles requiring restatement of prior periods has effect of change on income before extraordinary items and net income been disclosed for all periods presented? [APB 20, pars. 28 and 35 (AC A06.124 A35.113)]	—	—	—

	<u>YES</u>	<u>NO</u>	<u>N/A</u>
4. Have the applicable AICPA Statements of Position and Guides listed in Appendix A to SFAS 83 (AC section A06 Exhibit 112A) been considered in justification of a change in accounting principle? [SFAS 32, pars. 10-11 (AC A06.112); APB 20, par. 16 (AC A06.112); SFAS 83, pars. 5-6 (AC A06.112)]	—	—	—
5. For a change in accounting estimate affecting several future periods is effect of change on income before extraordinary items and on net income disclosed in year of change? [APB 20, par. 33 (AC A06.132)]	—	—	—
6. Is the correction of an error shown as a prior period adjustment with disclosure of the following in the period of its discovery and correction:			
a. Nature of the error in previously issued financial statements?	—	—	—
b. Effect of its correction on income before extraordinary items and net income? [APB 20, pars. 36-37 (AC A35.105); SFAS 96, par. 205m (AC A35.103)]	—	—	—
D. Business Combinations			
1. Is name of acquired credit union disclosed?	—	—	—
2. Is method of accounting (purchase method) disclosed?	—	—	—
3. Is cost of combination disclosed?	—	—	—
4. If fair value of liabilities assumed exceeds fair value of assets acquired, are method and period of amortization for unidentified intangible asset disclosed? [APB 16, par. 19 (AC B50.164)]	—	—	—
5. If regulatory financial assistance is received, are the nature and amount of such assistance disclosed? [SFAS 72, par. 11 (AC B50.158F)]	—	—	—

	<u>YES</u>	<u>NO</u>	<u>N/A</u>
E. Comparative Financial Statements			
1. Have comparative statements been considered? [ARB 43, Ch. 2A, pars. 1-2 (AC F43.101-.102)]	_____	_____	_____
2. Are the notes and other disclosures included in the financial statements of the preceding year(s) presented, repeated or at least referred to, to the extent that they continue to be of significance? [ARB 43, Ch. 2A, par. 2 (AC F43.102)]	_____	_____	_____
3. If changes have occurred in the manner of or basis for presenting corresponding items for two or more periods, are appropriate explanations of the changes disclosed? [ARB 43, Ch. 2A, par. 3 (AC F43.103)]	_____	_____	_____
F. Related Party Transactions			
1. Do disclosures include:			
a. The nature of the relationship(s) involved?	_____	_____	_____
b. A description of the transactions, including transactions to which no amounts or nominal amounts were ascribed, for each of the periods for which income statements are presented, and such other information deemed necessary to an understanding of the effects of the transactions on the financial statements?	_____	_____	_____
c. The dollar amounts of transactions for each of the periods for which income statements are presented and the effects of any change in the method of establishing the terms from that used in the preceding period?	_____	_____	_____

	<u>YES</u>	<u>NO</u>	<u>N/A</u>
d. Amounts due from or to related parties as of the date of each balance sheet presented and, if not otherwise apparent, the terms and manner of settlement? [SFAS 57, pars. 2-4 (AC R36.102-.104)]	—	—	—
2. Is the nature of a controlled relationship disclosed, even though there are no transactions between the enterprises, if the reporting enterprise and one or more other enterprises are under common ownership or management control and the existence of the control could result in operating results or financial position of the reporting enterprise significantly different from those that would have been obtained if the enterprise were autonomous? [SFAS 57, pars. 2 and 4 (AC R36.102 and .104)]	—	—	—
G. Lessee Leases			
1. For capital leases do disclosures include:			
a. Gross amount of assets recorded by major classes (according to nature or function) as of the date of each balance sheet presented? [SFAS 13, par. 16a (AC L10.112a (1)-(4))]	—	—	—
b. Future minimum lease payments as of the latest balance sheet presented in the aggregate and for each of the five succeeding fiscal years with appropriate separate deductions therefrom for executory costs and imputed interest to reduce net minimum lease payments to present value? [SFAS 13, pars. 10 and 16a (AC L10.106 and .112a(1)-(4))]	—	—	—
c. The total of future minimum sublease rentals under noncancelable subleases as of the date of the latest balance sheet presented? [SFAS 13, par. 16a (AC L10.112a (1)-(4))]	—	—	—

	<u>YES</u>	<u>NO</u>	<u>N/A</u>
d. Total contingent rentals actually incurred for each period for which an income statement is presented? [SFAS 13, par. 16a (AC L10.112a(1)-(4)) amended 10/1/79 by SFAS 29, par. 12]	—	—	—
e. Amount of accumulated amortization as of the date of each balance sheet presented?	—	—	—
f. Amount of amortization charged to expense or disclosure that amortization included in depreciation expense for each period for which an income statement is presented? [SFAS 13, par. 16a (AC L10.112a(5))]	—	—	—
2. For operating leases that have initial or remaining noncancelable lease terms in excess of one year do disclosures include:			
a. Future minimum rental payments required as of the latest balance sheet presented in the aggregate and for each of the five succeeding fiscal years?	—	—	—
b. The total of future minimum rentals under noncancelable subleases as of the date of the latest balance sheet presented? [SFAS 13, par. 16b (AC L10.112b)]	—	—	—
3. For all operating leases do disclosures include: rental expense for each period for which an income statement is presented with separate amounts for minimum rentals, contingent rentals, and sublease rentals? [SFAS 13, par. 16c (AC L10.112c)]	—	—	—
4. Do disclosures include a general description of the lessee's leasing arrangements, including but not limited to:			
a. Basis for determination of contingent rentals?	—	—	—

	<u>YES</u>	<u>NO</u>	<u>N/A</u>
b. Terms of any renewal or purchase options or escalation clauses?	—	—	—
c. Restrictive covenants? [SFAS 13, par. 16d (AC L10.112d); For amendments of SFAS 13 see SFASs 17, 22, 23, 26, 27, 28, 29, 76, 77, 91, 94, 96, and 98; for interpretations see FASBIs 19, 21, 23, 24, 26 and 27; for technical bulletins see TBS 79-10, 79-11, 79-12, 79-13, 79-14, 79-15, 79-16(r), 85-3 and 86-2]	—	—	—
H. Contingencies and Commitments			
1. Are the nature and amount of accrued loss contingencies disclosed as necessary to keep the financial statements from being misleading? [SFAS 5, par. 9 (AC C59.108)]	—	—	—
2. For loss contingencies not accrued do disclosures indicate:			
a. Nature of the contingency?	—	—	—
b. Estimate of possible loss or range of loss, or a statement that such estimate cannot be made? [SFAS 5, par. 10 (AC C59.109 and .111)]	—	—	—
3. Are the nature and amount of material violations of applicable laws and regulations either reflected or disclosed in financial statements? [A&AG, page 14]	—	—	—
4. Are the nature and amount of guarantees disclosed (for example, obligations under standby letters of credit, guarantees to repurchase loans that have been sold)? [SFAS 5, par. 12 (AC C59.113); FASBI 34, pars. 1-3 (AC C59.114)]	—	—	—
5. Are gain contingencies adequately disclosed with care to avoid any misleading implications about the likelihood of realization? [SFAS 5, par. 17 (AC C59.118)]	—	—	—

	<u>YES</u>	<u>NO</u>	<u>N/A</u>
6. Is there adequate disclosure of commitments such as those for capital expenditures, and for funding of loans? [SFAS 5, pars. 18-19 (AC C59.120) FASB 80 (AC F80); A&AG, pages 50 and 79]	—	—	—
I. Subsequent Events			
1. Are the financial statements adjusted for any changes in estimates resulting from subsequent events that provided additional evidence with respect to conditions that existed at the date of the balance sheet? [SFAS 5, par. 8 (AC C59.105); SAS 1, secs. 560.03-.04, .07 and 561.01-.09 (AU 560.03-.04, .07 and 561.01-.09)]	—	—	—
2. Are subsequent events that provide evidence with respect to conditions that did not exist at the date of the balance sheet but arose subsequent to that date adequately disclosed to keep the financial statements from being misleading? [SFAS 5, par. 11 (AC C59.112); SAS 1, secs. 560.05-.07, .09 and 561.01-.09 (AU 560.05-.07, .09 and 561.01-.09)]	—	—	—
J. Pension Plans [For defined benefit pension plans, accounting and reporting by the plans themselves should be in conformity with SFAS 35 [AC Pe5]]			
1. If there is a defined benefit plan, do disclosures include:			
a. A description of the plan including employee groups covered, type of benefit formula, funding policy, types of assets held and significant nonbenefit liabilities, if any, and the nature and effect of significant matters affecting comparability of information for all periods presented?	—	—	—
b. The amount of net periodic pension cost for the period showing sepa-			

	<u>YES</u>	<u>NO</u>	<u>N/A</u>
<p>ately the service cost component, the interest cost component, the actual return on assets for the period, and the net total of other components?</p>	_____	_____	_____
<p>Note: The net total of other components is the net effect during the period of certain delayed recognition provisions of SFAS 87 [AC P16]. That net total includes:</p>			
<p>a. The net asset gain or loss during the period deferred for later recognition (in effect, an off-set or a supplement to the actual return on assets)</p>	_____	_____	_____
<p>b. Amortization of the net gain or loss from earlier periods</p>	_____	_____	_____
<p>c. Amortization of unrecognized prior service cost</p>	_____	_____	_____
<p>d. Amortization of the unrecognized net obligation or net asset existing at the date of initial application of SFAS 87 [AC P16].</p>	_____	_____	_____
<p>c. A schedule reconciling the funded status of the plan with amounts reported in the employer's statement of financial position, showing separately:</p>			
<p>(1) The fair value of plan assets?</p>	_____	_____	_____
<p>(2) The projected benefit obligation identifying the accumulated benefit obligation and the vested benefit obligation?</p>	_____	_____	_____
<p>(3) The amount of unrecognized prior service cost?</p>	_____	_____	_____
<p>(4) The amount of unrecognized net gain or loss (including asset gains and losses not yet reflected in market-related value)?</p>	_____	_____	_____

	<u>YES</u>	<u>NO</u>	<u>N/A</u>
(5) The amount of any remaining unrecognized net obligation or net asset existing at the date of initial application of SFAS 87 [AC P16]?	___	___	___
(6) The amount of any additional liability recognized pursuant to SFAS 87, paragraph 36 [AC P16.130]?	___	___	___
(7) The amount of net pension asset or liability recognized in the statement of financial position pursuant to SFAS 87, paragraphs 35-36 [AC P16.129-.130] (which is the net result of combining the preceding six items)?	___	___	___
d. The weighted-average assumed discount rate and rate of compensation increase (if applicable) used to measure the projected benefit obligation and the weighted-average expected long-term rate of return on plan assets?	___	___	___
e. If applicable, the amounts and types of securities of the employer and related parties included in plan assets, and the approximate amount of annual benefits of employees and retirees covered by annuity contracts issued by the employer and related parties?	___	___	___
f. If applicable, the alternative amortization method used pursuant to SFAS 87, paragraphs 26 and 33 [AC P16.120 and .127], and the existence and nature of the commitment discussed in SFAS 87 paragraph 41 [AC P16.135]? [SFAS 87, par. 54 (AC P16.150)]	___	___	___
2. If there is a defined contribution plan, do disclosures include:			
a. A description of the plan(s) including employee groups covered, the basis for determining contributions, and			

	<u>YES</u>	<u>NO</u>	<u>N/A</u>
the nature and effect of significant matters affecting comparability of information for all periods presented?	___	___	___
b. The amount of cost recognized during the period? [SFAS 87, par. 65 (AC P16.162)]	___	___	___
c. If the pension plan has characteristics of both a defined benefit plan and a defined contribution plan:			
(1) Is the substance of the plan to provide a defined benefit?	___	___	___
(2) If answer is yes, have disclosures required for a defined benefit plan been made? [SFAS 87, par. 66 (AC P16.163)]	___	___	___
3. If there is a settlement and/or curtailment of a defined benefit pension plan and/or termination benefits under such a plan, do disclosures include:			
a. A description of the nature of the event(s)?	___	___	___
b. The amount of gain or loss recognized? [SFAS 88, par. 17 (AC P16.187)]	___	___	___
K. Postretirement Health Care and Life Insurance Benefits			
1. Do disclosures include:			
a. Description of benefits and employee groups covered?	___	___	___
b. Description of accounting and funding policies?	___	___	___
c. Cost of benefits recognized during the period?	___	___	___
d. Effect of significant matters affecting the comparability of the costs recognized for all periods presented? [SFAS 81, par. 6 (AC P50.102)]	___	___	___

YES NO N/A

Statement of Financial Condition

A. Loans to Members

1. Are amounts for the following accounts shown separately and deducted from loans to members:
 - a. Undisbursed portion of mortgage loans?
[A&AG, pages 38 and 76]
 - b. Allowance for loan losses?
[A&AG, pages 38 and 76]
 - c. Unamortized balance of net deferred fees or costs?
[SFAS 91, pars. 21 and 65 (AC L20.120 and .124); A&AG, page 38]
2. Are the following disclosures made in notes to financial statements:
 - a. Carrying basis of loans?
[A&AG, page 75]
 - b. Method of recognizing loan income (including non-accrual policy) and, if significant, loan fees.
[A&AG, page 75]
 - c. Composition of loan portfolio by major types of lending activities?
[A&AG, pages 38 and 76]
 - d. Maturities for significant categories?
[A&AG, pages 38 and 76]
 - e. Amount of loans at fixed interest rates?
[A&AG, page 38]
 - f. Amount of loans at floating interest rates?
[A&AG, page 38]

_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____

	<u>YES</u>	<u>NO</u>	<u>N/A</u>
g. Principal amount of loans on which accrual of interest was discontinued or reduced? [A&AG, pages 38 and 76]	—	—	—
h. Interest income that would have been recorded if loans in item g had been current per original terms? [A&AG, page 76]	—	—	—
i. Interest income recorded for item g loans? [A&AG, page 76]	—	—	—
j. Loans to related parties? [SFAS 57, par. 2 (AC R36.102); A&AG, page 38]	—	—	—
3. For loans sold with recourse are the following disclosures made:			
a. For each period for which an income statement is presented, the amount of proceeds?	—	—	—
b. At the date of each balance sheet presented, the balance of sold receivables that remain uncollected? [SFAS 77, par. 9 (AC R20.109)]	—	—	—
4. For loans to be sold subsequent to balance sheet date:			
a. Has an allowance been established for expected losses?	—	—	—
b. Is such an allowance disclosed and deducted from related loans? [A&AG, pages 36-37]	—	—	—
5. If loans are sold at servicing fee rates significantly different from current rates, are such loans accounted for in accordance with SFAS 65, par. 11 (AC Mo4.112)? [A&AG, page 36]	—	—	—
6. Is accrued loan interest receivable presented in caption "Other Assets" or as a separate category of assets? [A&AG, page 38]	—	—	—

	<u>YES</u>	<u>NO</u>	<u>N/A</u>
7. Are credit card fees deferred and amortized over the term to which the fees relate? [A&AG, page 35; SFAS 91, par. 10 (L20.109)]	—	—	—
B. Allowance for Loan Losses			
1. Is allowance deducted from related assets? [A&AG, page 43]	—	—	—
2. Do notes to the financial statements include a summary of activity in the allowance? [A&AG, pages 43 and 76]	—	—	—
3. Are the policy and method for providing for loan losses disclosed in the footnotes? [A&AG, page 75]	—	—	—
C. Cash			
1. Are restricted amounts segregated in the statement of financial condition? [A&AG, page 18]	—	—	—
2. Is the definition of cash equivalents disclosed?	—	—	—
D. Investments			
1. Is carrying basis disclosed? [A&AG, page 75]	—	—	—
2. Is market value disclosed? [A&AG, pages 25 and 75]	—	—	—
3. Are separate amounts disclosed for major types of investments? [A&AG, pages 25 and 75]	—	—	—
4. Are investments expected to be held until maturity carried at amortized cost? [A&AG, page 21]	—	—	—
5. Are investments not expected to be held until maturity and mutual fund investments carried at lower of cost or market? [A&AG, pages 21 and 22]	—	—	—

	<u>YES</u>	<u>NO</u>	<u>N/A</u>
6. Are pledged securities disclosed? [A&AG, page 25]	___	___	___
7. Is trade date, rather than settle- ment date, used to record the purchase and sale of investment securities? [A&AG, page 21]	___	___	___
8. Are premiums or discounts disclosed and amortized or accreted over a period from purchase date to maturity date using the interest method? [A&AG, pages 22-23]	___	___	___
9. If material, are short-term re- purchase agreements classified separately? [A&AG, page 25]	___	___	___
10. Is the following end of period information about securities purchased under agreements to resell disclosed:			
a. A description of the securities underlying the agreements?	___	___	___
b. The cost of the agreements, including accrued interest?	___	___	___
c. The market value of the securities underlying any agreement if less than the cost of that agreement?	___	___	___
d. The maturity of the agreements?	___	___	___
e. The dollar amount of agreements to resell the same securities?	___	___	___
f. The dollar amount of agreements to resell substantially identical securities?	___	___	___
g. The dollar amount of assets at risk under agreements outstanding? [SOP 86-1, par. 31]	___	___	___

	<u>YES</u>	<u>NO</u>	<u>N/A</u>
11. Is the following additional information about securities purchased under agreements to resell disclosed:			
a. The maximum amount of outstanding agreements at any month-end during the period?	_____	_____	_____
b. The average amount of outstanding agreements for the period?	_____	_____	_____
c. A statement of whether the securities underlying the agreements were under the credit union's control? [SOP 86-1, par. 31]	_____	_____	_____
E. Accrued Interest Receivable			
o Is accrued interest receivable presented in the caption "Other Assets" or as a separate category of assets? [A&AG, page 38]	_____	_____	_____
F. Property and Equipment			
1. Is property shown on the statement of financial condition net of accumulated depreciation? [A&AG, page 50]	_____	_____	_____
2. Is carrying basis disclosed? [A&AG, pages 50 and 75]	_____	_____	_____
3. Are the balances of major classes of depreciable assets disclosed? [APB 12, par. 5b (AC D40.105b)]	_____	_____	_____
4. Is accumulated depreciation, either by major classes of assets or in total, disclosed? [APB 12, par. 5c (AC D40.105c)]	_____	_____	_____
5. Are material commitments for property expenditures disclosed? [A&AG, page 50]	_____	_____	_____
6. For property being constructed, is the amount of capitalized interest disclosed? [SFAS 34, par. 21 (AC I67.118)]	_____	_____	_____

	<u>YES</u>	<u>NO</u>	<u>N/A</u>
G. Investment in Central Liquidity Facility			
1. Is Investment in Central Liquidity Facility shown separately on the statement of financial condition?	_____	_____	_____
2. Is Investment in Central Liquidity Facility stated at cost? [A&AG, page 72]	_____	_____	_____
H. Other Assets			
1. For an unidentified intangible asset arising as a result of the fair value of liabilities assumed in a purchase method business combination exceeding fair value of tangible and identified intangible assets acquired from a combination initiated after September 30, 1982:			
a. Is the amortization period no greater than the estimated remaining life of long-term interest-bearing assets acquired?	_____	_____	_____
b. Is the interest method used as the amortization method?	_____	_____	_____
c. Is the interest method applied to outstanding balances of interest-bearing assets? [SFAS 72, pars. 5 and 6 (I60.133-.134)]	_____	_____	_____
d. Is method and period of amortization disclosed? [APB 17, par. 30 (AC I60.111)]	_____	_____	_____
2. If individually material in amount, are the following assets presented separately under the caption "Other Assets":			
a. Property acquired in satisfaction of members' loan obligations?	_____	_____	_____
b. Accounts receivable?	_____	_____	_____
c. Prepaid expenses?	_____	_____	_____

	<u>YES</u>	<u>NO</u>	<u>N/A</u>
d. Payroll deductions receivable?	_____	_____	_____
e. Investment in data service centers?	_____	_____	_____
f. Investment in service organizations?	_____	_____	_____
g. Monetary control reserve deposits?	_____	_____	_____
h. Accrued income accounts?	_____	_____	_____
[A&AG, pages 48 and 50]			
I. Savings Accounts			
1. Are savings accounts classified as liabilities on the statement of financial condition?	_____	_____	_____
2. Are savings accounts summarized by type and by maturity in notes to financial statements?	_____	_____	_____
[A&AG, pages 54 and 77]			
J. Borrowed Funds			
1. Are types of borrowed funds disclosed on the statement of financial condition or in a note to financial statements?	_____	_____	_____
2. Do notes to financial statements disclose:			
a. Interest rates?	_____	_____	_____
b. Due dates?	_____	_____	_____
c. Pledged collateral?	_____	_____	_____
d. Compensating balance agreements?	_____	_____	_____
e. Significant restrictive loan agreement covenants?	_____	_____	_____
f. Five year maturity schedule as required by SFAS 47, paragraph 10b (AC C32.105)?	_____	_____	_____
[A&AG, pages 59, 60, 77 and 78]			

	<u>YES</u>	<u>NO</u>	<u>N/A</u>
3. Is the amount of debt considered extinguished because of "in-substance defeasance" disclosed so long as that debt remains outstanding? [SFAS 76, par. 6 (AC D14.108)]	_____	_____	_____
K. Securities Sold Under Agreements to Repurchase			
1. Is the following end of period information disclosed:			
a. A description of the securities underlying the agreements?	_____	_____	_____
b. The book value, including accrued interest of the securities underlying the agreements?	_____	_____	_____
c. The market value of the securities underlying the agreements?	_____	_____	_____
d. The maturity of the agreements?	_____	_____	_____
e. The weighted-average interest rate of the agreements?	_____	_____	_____
f. The dollar amount of agreements to repurchase the same securities?	_____	_____	_____
g. The dollar amount of agreements to repurchase substantially identical securities?	_____	_____	_____
h. The dollar amount of assets at risk under agreements outstanding? [SOP 86-1, par. 31]	_____	_____	_____
2. Is the following additional information disclosed:			
a. The maximum amount of outstanding agreements at any month-end during the period?	_____	_____	_____
b. The average amount of outstanding agreements for the period?	_____	_____	_____

	<u>YES</u>	<u>NO</u>	<u>N/A</u>
c. A statement of whether the securities underlying the agreements were under the credit union's control? [SOP 86-1, par.31]	—	—	—
L. Other Liabilities			
1. For loans transferred with recourse which are not reported as sales, is the amount of proceeds from the transfer reported as a liability? [SFAS 77, par. 8 (AC R20.109)]	—	—	—
2. For employee compensated absences:			
a. If conditions for accrual are met, is liability for compensated absences accrued?	—	—	—
b. If liability for compensated absences not accrued because amount of liability cannot be reasonably estimated, is this fact disclosed? [SFAS 43, par. 6 (AC C44.104)]	—	—	—
3. Are liabilities for special termination benefits to employees appropriately accrued and reported when the employees accept the offer and the amount can be reasonably determined? [SFAS 88, par. 15 (AC P16.185)]	—	—	—
4. If individually material, are the following liabilities stated separately in the statement of financial condition or related notes:			
a. Accounts payable?	—	—	—
b. Accrued interest (dividend) payable?	—	—	—
c. Accrued wages?	—	—	—
d. Accrued payroll taxes?	—	—	—
e. Accrued audit and supervisory agency fees?	—	—	—
f. Accrued pension costs?	—	—	—

	<u>YES</u>	<u>NO</u>	<u>N/A</u>
g. Accrued data processing charges?	_____	_____	_____
h. Liability for traveler's checks and money orders sold?	_____	_____	_____
i. Liability to the Federal Reserve Bank for savings bonds sold?	_____	_____	_____
j. Advance payments by borrowers for taxes and insurance?	_____	_____	_____
k. Other accrued expenses?	_____	_____	_____
l. Suspense accounts (items recorded and held subject to clarification and transfer to the proper account, such as unapplied loan payments and savings deposits)? [A&AG, page 61]	_____	_____	_____
M. Retained Earnings			
1. Are retained earnings shown separately on the statement of financial condition? [A&AG, pages 64 and 72]	_____	_____	_____
2. Are significant restrictions on the use of retained earnings for payment of dividends disclosed? [SFAS 5, par. 18 (AC C59.120); A&AG, pages 64 and 78]	_____	_____	_____
3. If significant restrictions exist, does the caption for retained earnings indicate that retained earnings are "substantially restricted"? [A&AG, pages 64 and 72]	_____	_____	_____
4. Are any appropriations of retained earnings for loss contingencies and general reserves clearly identified and included in retained earnings? [SFAS 5, par. 15 (AC C59.117); A&AG, pages 64 and 74]	_____	_____	_____

	<u>YES</u>	<u>NO</u>	<u>N/A</u>
Statement of Income			
A. Interest on Loans			
1. Is interest on loans shown separately on the statement of income? [A&AG, pages 66 and 73]	_____	_____	_____
2. Is the revenue recognition basis disclosed? [A&AG, page 75]	_____	_____	_____
3. For amortization of net deferred loan origination and/or loan commitment fees and costs which are being recognized as an adjustment of yield:			
a. Is such amortization reported as interest income? [SFAS 91, par. 22 (AC L20.121)]	_____	_____	_____
b. Except as specified in SFAS 91, paragraph 20 [AC L20.119], is the interest method used as the method of amortization? [SFAS 91, par. 18 (AC L20.117)]	_____	_____	_____
B. Loan Fees			
o Is amortization of commitment fees being amortized on the straight-line basis over the commitment period or included in income when the commitment expires, reported as service fee income? [SFAS 91, par. 22 (AC L20.121)]	_____	_____	_____
C. Interest on Investments			
o Is the amount for investment income shown separately on the statement of operations? [A&AG, pages 66 and 73]	_____	_____	_____
D. Interest on Savings Accounts			
o Is the amount shown separately on the statement of income? [A&AG, pages 66 and 73]	_____	_____	_____

	<u>YES</u>	<u>NO</u>	<u>N/A</u>
E. Interest on Borrowings			
1. Is the amount shown separately on the statement of income? [A&AG, pages 66 and 73]	—	—	—
2. Is interest relating to dollar reverse repurchase agreements reported as an expense? [A&AG, page 25]	—	—	—
3. Is the amount of capitalized interest disclosed in the footnotes? [SFAS 34, par. 21 (AC I67.118)]	—	—	—
F. Provision for Loan Losses			
o Is provision shown separately on the statement of income? [A&AG, pages 66 and 73]	—	—	—
G. General and Administrative Expenses			
1. Salaries:			
o For deferred compensation agreements, are estimated amounts to be paid properly accrued? [APB 12, par. 6-7 (AC C38.101-.102)]	—	—	—
2. Employee Benefits:			
a. Is the amount of net periodic pension costs and its components disclosed? [SFAS 87, par. 54b (AC P16.150b)]	—	—	—
b. Is the cost of postretirement health care and life insurance benefits disclosed? [SFAS 81, par. 6c (AC P50.102c)]	—	—	—
3. Operating Leases:			
o Is rental expense for each period for which an income statement is presented with separate amounts for minimum rentals, contingent rentals, and sublease rentals disclosed? [SFAS 13, par. 16c (AC L10.112c)]	—	—	—

	<u>YES</u>	<u>NO</u>	<u>N/A</u>
4. Depreciation:			
o Is depreciation expense for the period(s) disclosed accompanied by a general description of the method(s) used to compute depreciation for the major classes of depreciable assets? [APB 12, par. 5 (AC D40.105)]	—	—	—
H. Other Income (Expense)			
1. Securities gains (losses)			
a. Are gains (losses) from sales of investment securities shown separately on the statement of income? [A&AG, pages 25 and 73]	—	—	—
b. Is the basis for determining gains (losses) disclosed? [A&AG, page 75]	—	—	—
2. Gains (losses) on property sales			
o Are gains (losses) on property sales shown separately on the statement of income? [A&AG, page 73]	—	—	—
3. Gains (losses) on pension plan settlements or curtailments or termination benefits			
o Are such gains (losses) disclosed? [SFAS 88, par. 17 (AC P16.187)]	—	—	—
I. Extraordinary Items			
1. Do extraordinary items meet both criteria of (1) an unusual nature, and (2) infrequency of occurrence? [APB 30, pars. 19-24 (AC I17.106-.111 and .118)]	—	—	—
2. Are extraordinary items segregated and shown following income before extraordinary items and before net income? [APB 30, pars. 10-12 (AC I17.102-.103)]	—	—	—

	<u>YES</u>	<u>NO</u>	<u>N/A</u>
3. Are descriptive captions and amounts presented for individual extraordinary events or transactions, preferably on the face of the income statement if practicable? [APB 30, par. 11 (AC I17.102)]	—	—	—
4. Do disclosures include descriptions of an extraordinary event(s) or transactions(s) and the principal items entering into determination of extraordinary gain(s) or loss(es)? [APB 30, par. 11 (AC I17.102)]	—	—	—
5. Are material events or transactions that are either unusual in nature, or of infrequent occurrence but not both (and therefore not meeting criteria for extraordinary items):			
a. Reported separately on the statement of income?	—	—	—
b. Accompanied by disclosure of the nature and financial effects of each event? [APB 30, par. 26 (AC I22.101); TB 82-1, par. 6 (AC I25.505)]	—	—	—
J. Other			
o Are transfers to and from accounts properly designated as appropriated retained earnings excluded from the determination of net income? [APB 9, par. 28 (AC C08.101)]	—	—	—

Statement of Changes in Retained Earnings

A. Are changes in retained earnings disclosed? [APB 12, par. 10 (AC C08.102); A&AG, page 74]	—	—	—
B. For a correction of an error are the following disclosed in the period in which the error was discovered and corrected:			
1. Nature of the error in previously issued financial statements?	—	—	—

YES NO N/A

2. Effect of its correction on income before extraordinary items and net income?
[APB 20, par. 37 (AC A35.105)]

Statement of Cash Flows

- A. Is a statement of cash flows presented as a basic financial statement for each period for which a statement of income is presented?
[SFAS 95, par. 3 (AC C25.101)]

- B. Are cash receipts and cash payments from operating activities shown separately on the statement of cash flows?
[SFAS 95, pars. 27-28 (AC C25.125-.126)]

- C. Are cash receipts and cash payments for the following transactions classified as cash flows from operating activities:

1. Interest received on loans?

2. Insurance proceeds except those directly related to investing or financing activities?

3. Interest paid to creditors?

4. Payments to suppliers and employees?

5. Payments to governments for duties, fines, and other fees or penalties?

6. Payments to settle lawsuits?

7. Contributions to charities?
[SFAS 95, pars. 22-23 (AC C25.120-.121)]

- D. Are cash receipts and cash payments from investing activities shown separately on statement of cash flows?
[SFAS 95, par. 31 (AUC 25.129)]

- E. Are cash receipts and cash payments for the following transactions classified as cash flows from investing activities:

1. Receipts from collections or sales of loans?

	<u>YES</u>	<u>NO</u>	<u>N/A</u>
2. Receipts from sales of property?	___	___	___
3. Loans to members?	___	___	___
4. Payments to acquire property? [SFAS 95, pars. 16-17 (AC C25.114-.115)]	___	___	___
F. Are cash receipts and cash payments from financing activities shown separately on statement of cash flows? [SFAS 95, par. 31 (AC C25.129)]	___	___	___
G. Are cash receipts and cash payments for the following transactions classified as cash flows from financing activities:			
1. Proceeds from issuing debt?	___	___	___
2. Repayments of amounts borrowed? [SFAS 95, pars. 19-20 (AC C25.117-.118)]	___	___	___
H. If applicable, is the effect of exchange rate changes on cash balances held in foreign currencies shown separately on statement of cash flows? [SFAS 95, par. 25 (AC C25.123)]	___	___	___
I. Does statement of cash flows explain effect of cash flows by showing change in cash and cash equivalents? [SFAS 95, par. 7 (AC C25.105)]	___	___	___
J. Is policy for defining what is a cash equivalent disclosed? [SFAS 95, par. 10 (AC C25.108)]	___	___	___
K. Is a reconciliation of net income to net cash flow from operating activities presented either within the statement of cash flows or in a separate schedule? [SFAS 95, par. 29-30 (AC C25.127-.128)]	___	___	___
L. Are noncash investing and financing activities summarized in a separate schedule? [SFAS 95, par. 32 (AC C25.134)]	___	___	___

Illustrative Report of the Independent Auditor and Illustrative Credit Union Financial Statements

(The following illustrates the auditor's standard report and one form of currently acceptable financial statements. Other forms of financial statements are acceptable. More or less detail should appear in the financial statements or in the notes, depending on the circumstances. The CPA should be guided by existing auditing standards concerning the report.)

Independent Auditor's Report

To the Board of Directors
Sample Credit Union
Sampletown, U.S.A.

We have audited the accompanying statement of financial condition of Sample Credit Union as of December 31, 19X2 and 19X1, and the related statements of income, retained earnings, and cash flows for the years then ended. These financial statements are the responsibility of the credit union's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Sample Credit Union at December 31, 19X2 and 19X1, and the results of its operations and its cash flows for the years then ended in conformity with generally accepted accounting principles.

[Signature]

[City]

[Date]

**Sample Credit Union
Statements of Financial Condition**

December 31, 19X2 and 19X1
(in thousands)

	<u>19X2</u>	<u>19X1</u>
Assets		
Loans to members, net of allowance for possible loan losses	\$44,800	\$40,900
Cash	700	800
Investments	5,000	7,000
Accrued interest receivable	100	70
Property and equipment	1,050	900
Central Liquidity Facility stock, at cost	250	250
Other assets	50	40
Total assets	<u>\$51,950</u>	<u>\$49,960</u>
Liabilities and Equity		
Savings accounts	\$42,600	\$42,460
Borrowed funds	5,000	4,000
Accrued and other liabilities	800	500
Commitments and contingent liabilities	—	—
Total liabilities	<u>48,400</u>	<u>46,960</u>
Retained earnings, substantially restricted	<u>3,550</u>	<u>3,000</u>
Total liabilities and equity	<u>\$51,950</u>	<u>\$49,960</u>

**Sample Credit Union
Statements of Income**
Years Ended December 31, 19X2 and 19X1
(in thousands)

	<u>19X2</u>	<u>19X1</u>
Interest income		
Interest and fees on loans	\$4,300	\$3,450
Interest on investments	500	350
	<u>4,800</u>	<u>3,800</u>
Interest expense		
Savings accounts	2,500	2,400
Borrowed funds	300	200
	<u>2,800</u>	<u>2,600</u>
Net interest income	2,000	1,200
Provision for possible loan losses	100	20
Net interest income after provision for possible loan losses	<u>1,900</u>	<u>1,180</u>
Operating expense		
General and administrative		
Compensation and benefits	700	580
Occupancy	200	150
Other	500	260
	<u>1,400</u>	<u>990</u>
Operating income	500	190
Other income (expense)		
Securities gains	70	250
Loss on sale of property and equipment	(20)	—
Net income	<u>\$ 550</u>	<u>\$ 440</u>

The accompanying notes are an integral part of these financial statements.

Sample Credit Union
Statements of Retained Earnings

Years Ended December 31, 19X2 and 19X1
(in thousands)

	<u>Appropriated</u>		<u>Unappropriated</u>	<u>Total</u>
	<u>Statutory</u>	<u>Other</u>		
Balance, January 1, 19X1	\$1,680	\$500	\$ 380	\$2,560
Transfers, net	180	—	(180)	—
Net income	<u>—</u>	<u>—</u>	<u>440</u>	<u>440</u>
Balance, December 31, 19X1	1,860	500	640	3,000
Transfers, net	140	—	(140)	—
Net income	<u>—</u>	<u>—</u>	<u>550</u>	<u>550</u>
Balance, December 31, 19X2	<u><u>\$2,000</u></u>	<u><u>\$500</u></u>	<u><u>\$1,050</u></u>	<u><u>\$3,550</u></u>

The accompanying notes are an integral part of these financial statements.

Sample Credit Union Statements of Cash Flows

For the Years Ended December 31, 19X2 and 19X1

Increase (Decrease) in Cash

(in thousands)

	<u>19X2</u>	<u>19X1</u>
Cash flows from operating activities		
Interest and fees on loans	\$ 4,300	\$ 3,450
Interest on investments	470	350
Interest paid	(800)	(720)
Cash paid to employees and suppliers	<u>(1,050)</u>	<u>(940)</u>
Net cash provided by operating activities	<u>2,920</u>	<u>2,140</u>
Cash flows from financing activities		
Net increase in savings accounts	(1,860)	(2,870)
New borrowed funds	4,000	3,000
Repayment on borrowed funds	<u>(3,000)</u>	<u>(800)</u>
Net cash provided by financing activities	<u>(860)</u>	<u>(670)</u>
Cash flows from investing activities		
Proceeds from investment securities sold	8,000	9,351
Purchase of investment securities	(5,930)	(6,718)
Principal collected on loans to members	6,160	5,432
Loans made to members	(10,160)	(9,475)
Proceeds from the sale of property and equipment	70	—
Expenditures for property and equipment	(290)	(130)
Other	<u>(10)</u>	<u>20</u>
Net cash provided by investing activities	<u>(2,160)</u>	<u>(1,520)</u>
Net (decrease) in cash	(100)	(50)
Cash at beginning of year	<u>800</u>	<u>850</u>
Cash at end of year	<u><u>\$ 700</u></u>	<u><u>\$ 800</u></u>

Reconciliation of Net Income to Net Cash Provided by Operating Activities

(in thousands)

	<u>19X2</u>	<u>19X1</u>
Net income	\$ 550	\$ 440
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	50	50
Provision for possible loan losses	100	20
Gain on sales of securities	(70)	(250)
Loss on sale of property and equipment	20	—
Increase on accrued interest receivable	(30)	(20)
Increase in accrued expenses	300	100
Members' earnings credited to savings accounts	<u>2,000</u>	<u>1,800</u>
	<u><u>\$2,920</u></u>	<u><u>\$2,140</u></u>

The accompanying notes are an integral part of these financial statements.

Sample Credit Union

Notes to Financial Statements

December 31, 19X2 and 19X1

SIGNIFICANT ACCOUNTING POLICIES

Investments. Investment securities are stated at cost adjusted for amortization of premiums and accretion of discounts, which are recognized as adjustments to interest income on investments. Gains or losses on disposition are based on the net proceeds and the adjusted carrying amount of the securities sold, using the specific identification method.

Loans to members and allowance for possible loan losses. Loans are stated at the amount of unpaid principal, reduced by an allowance for possible loan losses. Interest on loans is recognized over the term of the loan and is calculated using the simple-interest method on principal amounts outstanding. The allowance for possible loan losses is established through a provision for possible loan losses charged to expenses. Loans are charged against the allowance for possible loan losses when management believes that the collectibility of the principal is unlikely. The allowance is an amount that management believes will be adequate to absorb possible losses on existing loans that may become uncollectible, based on evaluations of the collectibility of loans and prior loan loss experience. The evaluations take into consideration such factors as changes in the nature and volume of the loan portfolio, overall portfolio quality, review of specific problem loans, and current economic conditions and trends that may affect the borrowers' ability to pay. Accrual of interest is discontinued on a loan when management believes, after considering economics, business conditions, and collection efforts, that the borrowers' financial condition is such that collection of interest is doubtful.

Property and equipment. Property and equipment are stated at cost less accumulated depreciation. Depreciation is computed on the straight-line method over the estimated useful lives of the assets.

Pension plan. The credit union has a noncontributory pension plan covering substantially all employees. The credit union's policy is to fund accrued pension costs.

Investments

The carrying value and approximate market value of investments are as follows:

	December 31			
	19X2		19X1	
	Carrying Value	Market Value	Carrying value	Market Value
	(in thousands)			
U.S. government and agency obligations	\$4,000	\$3,000	\$5,500	\$5,000
Common trust funds	400	400	1,000	1,000
Time deposits	400	400	500	500
Loans to other credit unions	200	200	—	—
	<u>\$5,000</u>	<u>\$4,000</u>	<u>\$7,000</u>	<u>\$6,500</u>

Loans to Members

The composition of loans to members is as follows (in thousands):

	December 31	
	19X2	19X1
Automobile	\$22,500	\$21,000
Mortgage	7,400	6,400
Unsecured	6,000	5,000
Lines of credit	5,700	4,800
Share secured loans	1,500	1,300
Education	1,000	1,700
Other	1,200	1,000
	<u>45,300</u>	<u>41,200</u>
Less		
Undisbursed portion of loans	300	200
Allowance for possible loan losses	200	100
	<u>\$44,800</u>	<u>\$40,900</u>

A summary of loans by maturity as of December 31, 19X2, is as follows (in thousands):

Maturity within on year	\$18,000
One to five years	19,500
Over five years	<u>7,500</u>
	<u>\$45,000</u>

A summary of the changes in the allowance for possible loan losses is as follows (in thousands):

	Year Ended December 31	
	19X2	19X1
Balance, beginning of year	\$100	\$ 70
Provision charged to operations	100	20
Loans charged off	(10)	(15)
Recoveries	<u>10</u>	<u>25</u>
Balance, end of year	<u>\$200</u>	<u>\$100</u>

Loans on which the accrual of interest has been discontinued or reduced amounted to \$300 and \$100 at December 31, 19X2 and 19X1, respectively. If interest on those loans had been accrued, such income would have approximated \$10 and \$4 for 19X2 and 19X1, respectively. Interest income on those loans, which is recorded only when received, amounted to \$3 and \$1 for 19X2 and 19X1, respectively.

Property and Equipment

Property and equipment is summarized as follows (in thousands):

	December 31	
	19X2	19X1
Land	\$ 100	\$ 100
Building	650	650
Furniture and fixtures	200	150
Office equipment	<u>300</u>	<u>150</u>
	1,250	1,050
Accumulated depreciation	<u>(200)</u>	<u>(150)</u>
	<u>\$1,050</u>	<u>\$ 900</u>

Depreciation expense amounted to \$50 in 19X2 and \$50 in 19X1.

Savings Accounts

A summary of savings accounts is as follows (in thousands):

	December 31	
	19X2	19X1
Share drafts	\$ 3,500	\$ 3,750
Regular savings	19,500	20,500
Money market accounts	12,500	10,000
Savings certificates	<u>7,100</u>	<u>8,210</u>
	<u>\$42,600</u>	<u>\$42,460</u>

A summary of savings accounts by maturity as of December 31, 19X2, is as follows (in thousands):

No contractual maturity	\$23,000
Maturity within one year	14,000
One to two years	3,000
Over two years	<u>2,600</u>
	<u>\$42,600</u>

Dividend rates are set by the board of directors, based on an evaluation of current and future market conditions.

Borrowed Funds

Borrowed funds are as follows (in thousands):

	December 31	
	19X2	19X1
Central Liquidity Facility, 15% due 19X3	\$1,000	\$ —
Dollar Credit Union, 11% unsecured notes, due 19X3	2,250	—
First Trust Bank, 8.25–8.75% notes, due 19X2	—	1,500
Reverse repurchase agreements, 10%, secured by U.S. government obligations, due 19X3	750	—
ABC Co., 7.25–7.5%, due 19X2	—	500
Promissory notes, interest at 7.5%, due 19X3 and 19X2	1,000	2,000
	<u>\$5,000</u>	<u>\$4,000</u>

Retained Earnings

The Sample Credit Union is required by regulation to maintain a statutory reserve. This reserve, which represents a regulatory restriction of retained earnings, is not available for the payment of dividends.

Other appropriated retained earnings represent a restriction on the payment of dividends as established by the board of directors.

The Sample Credit Union is exempt, by statute, from federal and state income taxes.

Commitments and Contingent Liabilities

Outstanding mortgage loan commitments at December 31, 19X2, total approximately \$600. These commitments are not reflected in the financial statements.

The credit union is a party to various legal actions normally associated with financial institutions, the aggregate effect of which, in management's and legal counsel's opinion, would not be material to the financial condition of Sample Credit Union.

Pension Plan

Effective as of January 1, 19X1 the credit union adopted Statement of Financial Accounting Standards No. 87, "Employers' Accounting for Pensions." Adoption of the statement, which is accounted for prospectively without adjustment to prior years, increased the credit union's 19X1 net income by \$50.

A summary of the plan's funding status and the amounts recognized in the statement of financial condition (in thousands):

	December 31	
	19X2	19X1
	(in thousands)	
Actuarial present value of benefit obligations:		
Accumulated benefit obligation, including vested benefits of \$90 in 19X2 and \$87 in 19X1	\$ 97	\$ 96
Projected benefit obligation for service rendered to date	113	110
Plan assets at fair value, primarily listed stocks and U.S. government securities	153	140
Plan assets in excess of benefit obligation	40	30
Unrecorded net loss (gain) from past experience different from that assumed and effects of changes in assumptions	(11)	10
Unrecognized net assets at January 1, 19X0 being recognized over 10 years	10	11
Prepaid pension cost	<u>\$ 39</u>	<u>\$ 51</u>

A summary of the components of income follows:

	<u>19X2</u>	<u>19X1</u>
Service cost-benefits earned during the year	\$ 349	\$ 350
Interest cost on projected benefit obligation	938	950
Actual return on plan assets	(2,274)	(2,261)
Net asset gain deferred for later recognition	1,062	1,072
Amortization of unrecognized net asset	<u>(33)</u>	<u>(59)</u>
Net Periodic pension income	<u>\$ 42</u>	<u>\$ 52</u>

The weighted average discount rate and rate of increase in future compensation levels in determining the actuarial present value of the projected benefit obligation were 5% and 4.5%, respectively. The expected long-term rate of return on assets was 8%.

In 19X2 and 19X1, \$5 and \$7, respectively, of the vested benefit portion of the projected benefit obligation were settled through the purchase of nonparticipating annuity contracts for certain retired participants and lump sum payments for certain terminated participants. As a result, the company recognized gains of \$2 and \$1 in 19X2 and 19X1, respectively.

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